Business Model Canvas

*(more than a box to check)*
It’s all about the product, why waste time on modeling out the business?
The Long Tail

Short Head
- Blockbusters
- Top 40
- Widely popular
- Short-lived
- Narrow scope

Long Tail
- Blockbusters in a niche
- Narrowly popular
- Popular in the past
- Good, but not great content
- D-list content

Popularit of Individual Titles

Narrow

Infinite

Content Titles
Multi-Sided Platform Example:

E-Commerce provider

Consumer

following
finding

The New York Times
$$$$$
Free as a business model: Examples
• Co-opted Customer to Provide Key Activities to Improve the Value Proposition
”...don’t make business more complicated than it needs to be...”

Don Jones
Customer Segments

For whom are we creating value?
Who are our most important customers?

Mass Market
Niche Market
Segmented
Diversified
Multi-sided platform

Value Propositions

What value do we deliver to the customer?
Which one of our customer’s problems are we helping to solve?
What bundles of products and services are we offering?
Which Customer Segments are we satisfying?

1. Value prop defined for each significant customer segment
2. Quantify Value ($$, time, other)
3. Must be relative to competing solutions (consider goodness factor)

Characteristics:
Newness
Performance
Customization
“Getting the job done”
Design
Brand/Status
Price
Cost (reduction)
Risk (reduction)
Accessibility
Convenience/usability

DETAIL IS IMPORTANT!
### The Business Model Canvas

#### Revenue Streams

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<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Key Resources</th>
<th>Cost Structure</th>
<th>Revenue Streams</th>
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**Key Partners**
- Who are our Key Partners?
- Why are our Key Partners important?
- Which Key Resources are we acquiring from our Key Partners?
- What Key Activities do our Key Partners perform?

**Key Activities**
- What Key Activities do we perform?
- For what value proposition do we perform these Key Activities?
- For whom do we perform these Key Activities?

**Key Resources**
- What Key Resources do we use to perform our Key Activities?
- What value propositions do our Key Resources support?
- Our Key Resources help us deliver these value propositions.

**Cost Structure**
- What are our most important cost items in our business model?
- Which Key Resources are most expensive?
- Which Key Activities are most expensive?

**Revenue Streams**
- For what value do our customers pay?
- For what do they pay?
- How do we deliver value to our customers?
- How much does each Revenue Stream contribute to overall revenues?
Let’s talk about revenue
What is Revenue? – Really...

Revenue is how your customer rewards you for the value that you create.

- Reflective of the value provided
- (Ideally) Quantifiable
How do you estimate revenue?
Value realized by customer: $100

Goodness Factor: 10x

Estimated revenue: $100/10 $10

Opportunity
($$/customer X # customers):

$10 x 10,000,000 customers = $100 M

What should I expect to get paid?

Is the opportunity big enough for me to invest the time?
**Revenue Streams**

For what value are your customers willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

<table>
<thead>
<tr>
<th>Types</th>
<th>Fixed Pricing</th>
<th>Dynamic Pricing</th>
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<tbody>
<tr>
<td></td>
<td>Asset sale</td>
<td>Negotiation (bargaining)</td>
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<td></td>
<td>Usage fee</td>
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<td>Subscription fees</td>
<td>Real time market</td>
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<td>Licensing</td>
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<td>Brokerage fees</td>
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<td>Advertising</td>
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</table>

1. Customer value divided by the “goodness factor”.
2. Verify that you CAN extract your revenue.
3. **DO NOT** get hung up on the details!
What do we know, just from this?

1. We understand our customer (in detail)
2. We understand why (& how) they benefit from what we are doing
3. We understand whether there is enough left for us to make this worth while
4. We understand what we don’t understand!
“...your scientists were so preoccupied with whether they could that they did not stop to think about whether they should...”

Jeffrey Goldblum
Jurassic Park
Cost Structure
What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?
Is your business more:
• Cost Driven? Leanest cost structure / low price value proposition / maximum automation / extensive outsourcing
• Value Driven? Focused on value creation / premium value proposition

Sample Characteristics
Fixed costs (salaries, rents, utilities)
Variable costs
Economies of Scale
Economies of Scope

Channels
Through which channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

Channel phases:
• Awareness
  How do we raise awareness about our company?

• Evaluation
  How do we help customers evaluate our organization’s Value Proposition?

• Purchase
  How do we allow customers to purchase specific products and services?

• Delivery
  How do we deliver a Value Proposition to customers?

• After sales
  How do we provide post purchase customer support?

Customer Relationships
What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

Examples:
Personal assistance
Dedicated personal assistance
Self Service
Automated services
Communities
Co-Creation

Key Partners
Who are our key partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

Motivations for Partnerships:
Optimization and economy
Reduction of risk & uncertainty
Acquisition of particular resources and activities

Key Activities
What key activities do your Value Proposition Require?
Our distribution channels?
Customer relationships?
Revenue streams?

Categories:
Production
Problem solving
Platform/network

Key Resources
What key resources do your Value Proposition Require?
Our distribution channels?
Customer relationships?
Revenue streams?

Types of resources:
Physical
Intellectual (Brand, patents, copyrights, data)
Human
Financial

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Revenue per customer: $10
Direct cost (cost to deliver value): $3
Direct Margin: $7
$7 x 10,000,000 customers = $70 M

Can I make a profit?
Can I justify the investment and can this be a self supporting concern?
• The BMC is the cornerstone of your internal business plan

• The BMC need to be as specific as possible!
  • The more quantification the better

• (Initially) focus on customer segments and value proposition

• Develop it in the order that I presented it

• Prioritize risk or unknowns

• The BMC is an evolving tool, not a one time task

• The BMC should be visible to the entire team
Wanna try?